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Canada. Railway, Canals and Telegraph  
Lines, Standing Committee, 1951

SESSION 1951

Government  
Publications

HOUSE OF COMMONS

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## STANDING COMMITTEE

ON

# RAILWAYS, CANALS AND TELEGRAPH LINES

CHAIRMAN—MR. L. O. BREITHAUPT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

BILL No. 75 (Letter F of the Senate);  
An Act to Incorporate Trans-Canada Pipe Lines Limited.

THURSDAY, MARCH 8, 1951

### WITNESSES:

Mr. Frank A. Schultz, Vice-President, Canadian Delhi Oil Ltd., Calgary,  
Alberta.

Mr. W. J. Matthews, Director, Administration and Legal Services,  
Department of Transport, Ottawa, Ontario.

OTTAWA  
EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
CONTROLLER OF STATIONERY  
1951







## REPORTS TO THE HOUSE

THURSDAY, March 8, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

### SECOND REPORT

Your Committee has considered Bill No. 75, (Letter F of the Senate), intituled: "An Act to incorporate Trans-Canada Pipe Lines Limited", and has agreed to report same with amendment.

All of which is respectfully submitted.

L. O. BRIETHAUP, *Chairman.*

TUESDAY, March 13, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as a

### THIRD REPORT

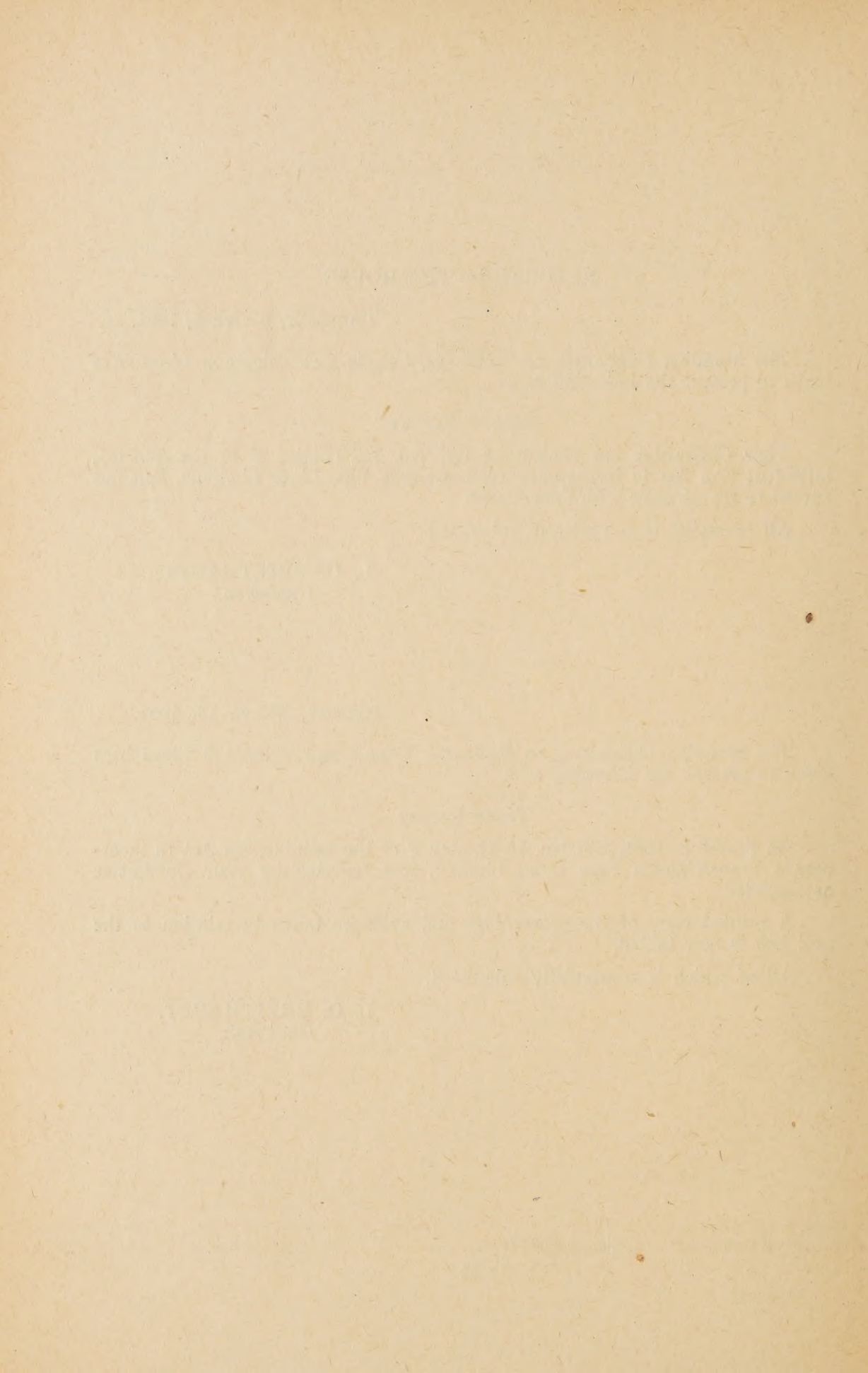
On March 8, 1951, Bill No. 75 (Letter F of the Senate), An Act to incorporate Trans-Canada Pipe Lines Limited, was reported by your Committee as amended.

A printed copy of the proceedings and evidence taken in relation to the said Bill is now tabled.

All of which is respectfully submitted.

L. O. BREITHAUP, *Chairman.*





## MINUTES OF PROCEEDINGS

THURSDAY, March 8, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines met at eleven o'clock a.m. this day. Mr. L. O. Breithaupt, Chairman, presided.

*Members présent:* Messrs. Applewhaite, Bonnier, Cannon, Carter, Conacher, Dewar, Follwell, Gillis, Green, Harkness, Harrison, Herridge, Hodgson, Lafontaine, Lennard, Macdonald (*Edmonton East*), McCulloch, McIvor, Mott, Murphy, Murray (*Cariboo*), Noseworthy, Richard (*St. Maurice-Lafleche*), Riley, Rooney, Shaw, Smith (*Queens-Shelburne*), Stuart (*Charlotte*), Thomas, Weaver, Whiteside.

*In attendance:* Mr. John Ross Tolmie, Parliamentary Agent; Mr. Frank A. Schultz, Vice-President, Canadian Delhi Oil Ltd., Calgary, Alberta; Mr. W. J. Matthews, Director, Administration and Legal Services, Department of Transport, Ottawa, Ontario.

The Committee resumed consideration of Bill No. 75, (Letter F of the Senate), an Act to incorporate Trans-Canada Pipe Lines Limited.

Mr. Schultz's examination was continued.

Mr. Matthews was recalled, heard, questioned and retired.

The Preamble and Clauses one to five inclusive were severally considered and adopted.

At 12.30 o'clock p.m. the Committee adjourned to meet again at 4.00 o'clock p.m. this day.

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### AFTERNOON SITTING

The Committee resumed at 4.00 o'clock p.m. Mr. L. O. Breithaupt, Chairman, presided.

*Members present:* Messrs. Applewhaite, Bonnier, Carter, Conacher, Gauthier (*Portneuf*), Gillis, Green, Herridge, Lafontaine, Lennard, Macdonald (*Edmonton East*), McCulloch, McIvor, Mott, Murray (*Cariboo*), Noseworthy, Rooney, Shaw, Smith (*Queens-Shelburne*), Thomas, Weaver.

*In attendance:* Mr. John Ross Tolmie, Parliamentary Agent; Mr. Frank A. Schultz, Vice-President, Canadian Delhi Oil Ltd., Calgary, Alberta.

The Committee resumed a clause by clause consideration of Bill No. 75, (Letter F of the Senate), An Act to incorporate Trans-Canada Pipe Lines Limited.

On clause 6:

Mr. Green moved:

That paragraph (a) Clause 6 of this Bill be amended by inserting after the word *hydrocarbons* in the twenty-eighth line the following: "provided that the main pipe line or lines, either for the transmission and transportation of gas or oil shall be located entirely within Canada".



After discussion, and the question having been put, the said motion was agreed to.

Clause 6 as amended, Clauses 7 to 11 inclusive and the Title were severally considered and adopted.

The Bill, as amended, was adopted and the Chairman ordered to report the same to the House forthwith.

At 4.12 o'clock p.m. the Committee adjourned to the call of the Chair.

R. J. GRATRICK,  
*Clerk of the Committee.*

#### CORRIGENDUM

*Evidence No. 2, March 7, 1951*

(By Mr. Murray (*Cariboo*))

Page 46, line 22 thereof: "eight million" should read, "*between three and three and one half trillion*".



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,  
March 8, 1951.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.00 a.m. The Chairman, Mr. L. O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, we have a quorum. It is 11.05 and we believe in starting meetings as nearly on time as possible, so with your consent we will proceed. Yesterday before adjournment the question came up as to the estimated cost of constructing and operating a sulphur reduction plant capable of converting residue hydrogen sulphide gas to elementary sulphur such as from the Pincher Creek field. Mr. Schultz is here and he has prepared a statement on this which I would ask the clerk to distribute and then he will enlarge on it. Is it your wish that he be heard at this time?

Agreed.

### Mr. Frank August Schultz, Delhi Oil Ltd., recalled.

The CHAIRMAN: I believe all the members of the committee present have the statement. Would you care to proceed, Mr. Schultz, please?

The WITNESS: I have prepared some figures on this possible sulphur reduction plant. The background for it is figures that we have prepared on a field that the Delhi Oil Corporation owns in northwestern New Mexico that has a similar acid gas content to that of Pincher Creek. I will file the figures, Mr. Chairman.

### ESTIMATED COST OF CONSTRUCTING AND OPERATING A SULPHUR REDUCTION PLANT CAPABLE OF CONVERT- ING RESIDUE $H_2S$ GAS TO ELEMENTAL SULPHUR SUCH AS FROM THE PINCHER CREEK FIELD, ALBERTA

Total Plant Cost .....	\$750,000 00
Operating Cost per day (including Labour, Amor- tization on a 10-year basis, Insurance, Replace- ment Costs and Contingencies) .....	\$600 00
General Overhead and Sales Costs per day .....	300 00
Total .....	<u>\$900 00</u>

#### Production

One thousand cubic feet of Hydrogen Sulphide gas contains 87 pounds of elemental sulphur. An efficient plant will recover 85 per cent of the 87 pounds or 72 net pounds per 1,000 cubic feet of gas. The raw gas at Pincher Creek will average approximately  $7\frac{1}{2}$  per cent Hydrogen Sulphide or 5.4 pounds of Sulphur per M.C.F. at the outlet side of the plant.

Assuming a daily production rate of 165,000 M.C.F. of raw gas, this will result in 891,000 pounds or 425 tons of elemental sulphur per day.



### Production Costs

Assuming that the raw hydrogen sulphide gas is delivered free of all costs to the hydrogen sulphide reduction plant, then the cost per ton for fixing this sulphur would be  $\frac{\$900}{425} = \$2.04$  per ton. This figure contemplates only the basic costs, exclusive of all handling and shipping charges.

Due to the corrosive nature of the hydrogen sulphide gas, replacement costs on the equipment might be higher than that indicated above (viz. ten year amortization), resulting in a somewhat higher production cost.

We recognize that costs at Pincher Creek will vary from what they are in northwestern New Mexico but I have attempted to adjust the plant cost and the operating cost, overhead cost, to the Pincher Creek situation. Now, I want to represent this as our own idea based upon our experience in northwestern New Mexico. There may be some latitude when a plant is actually constructed at Pincher Creek, but this is our best thought at this time.

We have contemplated a ten-year amortization on this type of plant due primarily to the fact that we are handling an acid gas, hydrogen sulphide, that will have some water in it. Replacement costs may even be higher than on a ten-year basis, therefore, when the plant is in actual operation we might have to figure a five-year amortization. There are eighty-seven pounds of sulphur content in one thousand cubic feet of hydrogen sulphide gas. The plant that we have contemplated will have an eighty-five per cent efficiency factor which leaves seventy-two pounds net of sulphur to be recovered. The gas at Pincher Creek runs approximately seven and one-half per cent, leaving a total of 5.4 pounds of recoverable sulphur per thousand feet of gas. This comes up to a total figure of \$2.04 a ton for fixing sulphur. This figure does not contemplate a cost for the hydrogen sulphide gas. We are considering it as a residue, a waste product that would be converted to a useful chemical. Incidentally, this, of course, does not take into consideration handling cost; it considers only stock piling in large bins. There would be an additional cost for handling and certainly freight costs would be quite high. In our own figuring at Pincher Creek, the freight problem was the most difficult one because freight rates are pretty high, say from Pincher Creek to the consuming areas in the east. I do not have the exact figures but it seems to me that freight rates from Calgary to Winnipeg were something of the order of \$24 a ton. I do not want to be tied to this figure but I believe it was \$24 a ton from Calgary to Winnipeg. That is a figure I am drawing from memory and I do not want to be stuck with it later on.

Mr. MURRAY: Mr. Chairman, since we have an eminent engineer here this morning, Mr. Schultz, he might tell us some of the byproducts which could be manufactured from sulphur on the spot, too.

The CHAIRMAN: Could we not confine our interest to this statement in the meantime and later we can call on the engineer.

*By Mr. Murphy:*

Q. In addition to this information and essential also, I think, to the question: are there any other chemicals as byproducts that could be produced in quantity from this same source?—A. From the Pincher Creek?

Q. Yes.—A. Yes, sir. There are more hydrocarbons. There would be approximately when the field is completely exhausted a total of some twenty-seven million barrels of various hydrocarbons; that would include propane, butane, ethane, gasoline, diesel oil.



Q. Do you purpose getting those products in your processing before gas is delivered in the line?—A. Oh, yes, sir. The gas will be dried completely before it is put in line. All of the liquids will be removed by a gasoline absorption plant.

Q. Do you purpose showing revenue from those byproducts?—A. No; the transmission company, and I want to make this perfectly clear, at the present time does not have a purchase contract with the Gulf Oil Corporation. We are trying to deal with the Gulf Oil Corporation. The transmission company will buy or produce only the dry gas from any of these fields. It will not have a side income from the byproducts, so to speak.

Q. You purpose only to have the one plant for the recovery of these products?—A. Yes, sir.

Q. At Pincher Creek?—A. Pincher Creek is the only field so far that we contemplate would be tied into this transmission system that produces hydrogen sulphide.

Q. The recovery of other products would not be possible in the one plant?—A. No, it would not. I am sure that the Gulf would have no interest in disposing of twenty-seven million barrels of liquids, and if they recovered it, undoubtedly the plant would belong to them. It would be a separate item.

Q. There is one point I would like to get some information on. We have here the possible cost of the sulphur plant. Mr. Schultz has indicated that he thinks the freight rate is some \$20 odd, say from Calgary to Winnipeg. This being such an essential product at this time I was wondering if we could obtain the freight rates from the source to certain parts of Canada where this product would be required in order to determine probably its comparative cost against the sulphur we get from other sources not so close?—A. We do not have those figures.

The CHAIRMAN: I do not imagine they have the figures but the figures would be obtainable by anyone. It just prolongs this situation by asking Mr. Schultz to bring this information to the committee when the information is available to all of us to make comparative laid down costs. I see what you are getting at and it is a good point, but I do not think we should detain Mr. Schultz by asking him information of this kind.

Mr. MURRAY: No, but I think it is important the committee should have the information. I wonder if it is not equally important, in view of this project, to get information on the volume of the other very essential byproducts.

The CHAIRMAN: Mr. Schultz, are you in a position to give that now, based on the extraction of sulphur?

The WITNESS: No, but I would say this, that when we first considered this product we considered that the sulphur was almost a break-even proposition, that there would be very little profit to be made in the sulphur, it might even have to be produced at a loss, but we were prepared if we built this line to fix the sulphur regardless of whether it could be operated at a profit or a loss because we knew that over a period of time if we were piling up 350 to 400 tons of sulphur a day, ultimately the market would come and get it. Of course, it can be stored without any difficulty, by just piling it up in several thousand ton blocks. Since our figure was prepared the price of Gulf Coast sulphur has advanced several times and there is not too much doubt in our minds now that the project could have operated at a profit, on some small margin of profit. There is one fact I have not figured in here and I do not know where the cost rightly belongs, but it will take about two cents a thousand of the raw gas to treat it out and remove this hydrogen sulphide, carbon dioxide, from the marketable gas.

The CHAIRMAN: If there are any other questions on this subject you can ask them now, if not, we can probably have Mr. Schultz give further evidence when we get further on with the bill.

Now, as far as your question was concerned, Mr. Murray—

Mr. MURRAY: I am thinking of the manufacture of acids and so forth which are vital to the industrial development of that area of western Canada.

The CHAIRMAN: You feel that some engineer present was qualified to answer that?

Mr. MURRAY: I do not ask for very detailed information.

The CHAIRMAN: Mr. Schultz, I believe, has the answers.

Mr. MURRAY: There is a great market there for some of the byproducts such as sulphuric acid, and sulphurous acid and other products, say in the manufacture of storage batteries, a demand right in the neighbourhood.

The WITNESS: Yes, that is true. Particularly, I understand, there is a fertilizer plant at Calgary that could undoubtedly utilize some part of this sulphur as sulphuric acid. Approximately twenty-five tons a day of sulphur are already being manufactured at Trail by Consolidated Smelters and I understand that that is being converted directly to sulphuric acid and marketed in that general area. We recognize that with this amount of sulphur available and a freight rate that might work to a disadvantage that it would be an ideal situation if we could bring in some new industry to Alberta and in that respect we have talked to one concern, the International Minerals and Chemical Corporation. They have indicated an interest, if we work out this development and produce this sulphur, of coming into Alberta and working out an arrangement to utilize this sulphur. We think that is very important that a company intending to take a natural resource from Alberta should induce new industry to come in, if we can, and that is one of our problems which we are working on. However, until something definite is done in the development of sulphur, an industry is not in a position to say it will or will not locate there, but at least we have had discussions and are carrying forward those discussions for the utilization of this sulphur within Canada.

The CHAIRMAN: Does that answer your question, Mr. Murray?

*By Mr. Murray:*

Q. What products does that company you just mentioned deal in?—A. Fertilizer, primarily. It is the biggest fertilizer making company in the world.

Q. They would establish at Pincher Creek or Calgary?—A. The general thinking was, somewhere in Alberta, to utilize that sulphur; that is the basis on which we are talking to them, that it would be a Canadian utilization of the sulphur.

Q. Thank you.

Mr. SHAW: May I as an Albertan commend Mr. Schultz' company for the energy he has indicated they displayed in trying to encourage an industry to become established in that province. It is very important. Yesterday, I made an enquiry with respect to the policy in connection with serving the various communities along the proposed route of the pipe line. To me that is extremely important, especially where this is likely to be the only pipe line company serving the area traversed by this pipe line.

The CHAIRMAN: Yes, Mr. Shaw, we are coming to that. You are quite in order, though.

*By Mr. Shaw:*

Q. I asked yesterday if the sole right to determine which communities are to be served is to be left with this company. Have you been able, Mr. Schultz, to get that information? You will understand why I feel keenly about this. If, for example, there are eight communities, and I am thinking of a specific area



now, ranging from 500 to 1,400 people, two of them in the neighbourhood of 1,400, a company could pick out those two large ones and make it economically impossible for any other company to come in and serve those remaining communities.—A. All I can say is that I cannot answer the legal aspect on it, but we have tried to demonstrate that we are willing to serve the small communities, and the only example I can cite is that we have been dealing with and have dug wells to supply the community of Picardville in Alberta. We have recognized the principle that home folks have to be taken care of and we are willing to do it where we have a gas field or a gas purchase contract in the field to take care of the local community. We do know that this transmission and gas gathering system will enable us to serve a large number of small communities that are not now being served.

The CHAIRMAN: Thank you very much, Mr. Schultz. I think we appreciate your interest in serving as many communities as possible but I think there is a legal aspect that covers this point that Mr. Shaw brings up and I would ask Mr. Matthews to come forward a minute and explain clause 51 in the Pipe Lines Act which takes care of that situation.

**Mr. W. J. Matthews, Director, Administration and Legal Services, Department of Transport, recalled:**

The WITNESS: Well, Mr. Chairman, I presume the committee is familiar with this clause 51 of the Pipe Lines Act, but I will read it.

51. Where the Board finds such action necessary or desirable in the public interest, it may direct a company to extend or improve its transportation facilities to provide facilities for the junction of its company pipe line with any pipe line of, and sell gas to, any person or municipality engaged or legally authorized to engage in the local distribution of gas to the public, and for such purposes to construct branch lines to communities immediately adjacent to its company pipe line, if the Board finds that no undue burden will be placed upon the company thereby, but the Board shall have no power to compel a company to sell gas to additional customers if to do so would impair its ability to render adequate service to its existing customers.

That section gives the Board power to order a company to extend its pipe lines to serve any communities which they think should have the service, but there is a limiting provision, that the Board shall have no power to compel the company to sell gas to additional customers if that would impair the economic position of the company and its ability to serve its existing customers.

*By Mr. Shaw:*

Q. Let us assume that this company is incorporated and secures a permit to export. They run their line through to Montreal. They decide they can procure customers enough in several of the larger cities including Montreal, Toronto, Ottawa, and so on, to take the gas; this line will carry gas to serve those communities, but the communities along the way which may feel they have a justifiable demand for gas are in effect told to jump in the lake.—A. I think it puts it up to the Board: "Where the Board finds such action necessary or desirable in the public interest, it may direct the company to extend or improve its line". So I presume if anyone had a complaint along the line they would apply to the Board and have it decided upon there.

Q. In the final analysis is it not a fact today that the Board has the right to say to the community or to the people of the community, "Now, if

you desire to form a company, we will force the transmission company to supply you with gas", but they cannot force a company to go in and establish a distribution system, that is, in any given community.—A. I think that is so.

Q. Well, this is the thing that concerns me. It may be economically feasible for a large company like this to supply gas to a local community where it may not be economically feasible for a local company to establish a distribution system because the company operates, as you appreciate, as an entire business, whereas, this one little group may have to function in one little community, after possibly building a three-mile long line to that community. Of course, I understand we probably have not had enough experience as far as the transmission of gas is concerned, and I would urge the Board to learn all it can about this Pipe Lines Act and if it requires to be amended I hope the government will see to it that the necessary amendments are submitted to Parliament.—A. In answer to that I will just say that this provision is something similar to the same provision in the Natural Gas Act of the United States where they have a good deal more experience than we have.

Q. How has it worked out?—A. They tell us it works out all right. However, if there is any difficulty about the operation of the Act the board will bring forward any amendments needed.

Q. While I am here I will keep my eye on it.

The CHAIRMAN: There is another question arising out of the meeting we had yesterday and that is one raised by Mr. Noseworthy, who asked for additional information as to the constitutional provisions which render it impossible for a pipe line of this kind to be classified as a common carrier.

The WITNESS: I do not think there is any constitutional difficulty about that because oil pipe lines can be declared to be common carriers and I should think gas pipe lines could be also. The difficulty seems to be one of a practical nature. Gas experts of the United States have told me that none of the gas lines there have ever been declared to be common carriers. The difficulty is a practical one arising out of the receipt and delivery of the gas. The gas comes in and flows along the line, and if it were a common carrier it would have to arrange to segregate the gas of the different companies, they would have to arrange to deliver it to different distribution systems, arrange for storage facilities for each company's gas, and so on.

Mr. SHAW: There is one common carrier in Alberta, if I am not mistaken, between Turner Valley and Calgary. I understand that the Alberta Conservation Board there made a decision forcing this particular pipe line to take gas from other companies. It was felt that there was too much waste in Turner Valley, and the company insisted on carrying its own product only.

The CHAIRMAN: But that law has been changed since.

Mr. SHAW: Yes, it has been made a common carrier. That company has been forced to take gas from small independent companies operating in that area.

The CHAIRMAN: But they cannot get any gas unless they gather gas from different sources?

Mr. SHAW: It is my understanding that that is an example of a gas pipe line that has been made a common carrier. That is what I wanted to convey.

Mr. APPLEWHAITE: They have more than one client? Are they carrying gas for more than one person?

Mr. SHAW: They have been forced to take gas from the various wells in Turner Valley.

Mr. APPLEWHAITE: They carry it for a fee, they do not buy it?

The WITNESS: Is that not a common purchaser line?



*By Mr. Shaw:*

Q. It is conceivable that the corporation distributing gas is a common purchaser.—A. Yes, one company operates the line for its own gas?

Q. Yes.—A. It is not a common carrier then, that is a common purchaser.

Q. One company built and owned the line and were carrying their own product. Many of the smaller wells could not dispose of their product, and action was taken to force the company to carry gas from the various wells owned by the different companies, and it is probably sold in bulk in the city of Calgary.

Mr. APPLEWHAITE: With your permission, Mr. Chairman, I would like to ask Mr. Shaw one question. What happens to their own customers while they are carrying gas for somebody else?

Mr. SHAW: Mr. Chairman, I do not profess to have all the details. I was merely pointing out that this was an example of a common carrier. I assume that they know the volume of gas they take from each company owning wells in Turner Valley into the main pipe line, and then, I understand, it is sold in bulk or distributed in Calgary.

Mr. APPLEWHAITE: Then, the gas is all mixed up?

Mr. SHAW: Naturally, it has to be.

The CHAIRMAN: This is really of indirect interest to this committee.

Mr. SHAW: Except it is an example of a common carrier.

*By Mr. Noseworthy:*

Q. I think in the case of the United States there is a limit placed on the profit that gas-carrying pipe lines can make. We have that limitation, I understand, in regard to pipe lines for oil but we have no provision whereby such a limitation can be placed on these gas pipe lines. What do you think is the necessary step to take in order to have that apply to gas?—A. I do not understand your question.

Q. In the case of the United States you said yesterday the federal authorities had placed a limit on the profit that may be earned by these gas pipe lines and that we had that in Canada in the case of the oil pipe lines. Now, what steps are necessary in order to secure similar legislation regarding gas pipe lines?—A. Well I do not think I did say that in the United States they put a limit on the profits that are made on these gas pipe lines. I have not any knowledge of that. In Canada I do not think they put a limit either on the profits, except under the Income Tax Act. A company such as the Imperial Oil carries oil by pipe line and I do not think there is any limitation placed on the profits made by the company except under the Income Tax Act. They carry their own oil from the well to the refinery, and I presume that it is all treated as part of their organization.

The CHAIRMAN: Can you tell us how the pricing is done? I think that will clear up all the unfinished business that was left over until today's meeting. Mr. Noseworthy has brought up the last point there. Who controls the pricing of the product? Is that a provincial jurisdiction?

The WITNESS: Well, we have been advised by the Department of Justice that it is a provincial jurisdiction. I do not know who controls it in the different provinces or whether there is any control on gas carried from one province to another at the present time. Perhaps it is the Utility Board. There is a Utility Board in Saskatchewan. I do not think there is any Board in Ontario which controls the price—there may be but I do not know. Anyway, our advice is that it is a matter of provincial jurisdiction and that it is up to the provinces to control the price at which gas is sold to the consumer.

*By Mr. Murray:*

Q. In British Columbia does not the Public Utilities Board control the price?—A. I presume it would.

Q. There is an actual example there, is there not?—A. I do not know what the gas situation is there.

Q. Gas is brought from Alberta to Dawson Creek, British Columbia, and distributed?—A. I do not know what the situation is.

Q. It is a fact that the Public Utilities Board have to give a certificate and to approve the price?—A. It would be a matter for the province.

*By Mr. Shaw:*

Q. I have one more question to ask Mr. Matthews. Do the provisions of that Act apply to the gathering system within the province?—A. I do not think so.

Q. Then, I do not know whether this is fair or not, but would you conclude, therefore, that it is a matter of provincial jurisdiction when it comes to laying down policy relative to servicing communities within the province—as far as the gathering system is concerned?—A. Well I am not very familiar with the pipe line business but, as I understand the split up, one company will handle the main trunk pipe line and another company will look after the gathering lines.

Q. Not necessarily in this case? I believe they have indicated that they would like to operate the entire gathering system as part of their main trans-Canada pipe line system—however they may have to do otherwise?—A. I think it is all operated by the same company and I would think they would have just as much control over the gathering line as over the main line.

Q. You are speaking from the point of view of the Board of Transport Commissioners?—A. Yes, as I understand the split up that is my answer. In this case it seems to be different.

The CHAIRMAN: Well, gentlemen, are we ready to consider the bill?  
Agreed.

Shall clause 1 carry?

1. Clinton Williams Murchison, oil and gas executive, and Frank August Schultz, oil and gas executive, both of the city of Dallas, in the state of Texas, one of the United States of America, John Ross Tolmie, barrister and solicitor, John McCreary Coyne, barrister and solicitor, and Ross Garstang Gray, barrister and solicitor, all of the city of Ottawa, in the province of Ontario, together with such persons as may become shareholders in the company, are incorporated under the name of Trans-Canada Pipe Lines Limited, hereinafter called "the Company".

Mr. APPLEWHAITE: With respect to clause 1 I wish to raise a small question. It may seem a silly question or it may not. The trans-Canada highway—a purely national endeavour, and Trans-Canada Air Lines, a nationally owned air line, use the word "trans-Canada" and I think that a lot of people not only in Canada but elsewhere have come to think of that name as being connected with a national or publicly owned operation. I do not suppose the Dominion of Canada has any vested interest in the words "trans-Canada" but I wonder whether the committee does or does not consider that there is some merit in perhaps trying to retain the term "trans-Canada" for things which are purely Canadian and owned by the people of Canada. I think the question is at least worthy of consideration by the committee.

The CHAIRMAN: Is there any discussion?

Mr. MURRAY: Well I would say that if they called it "Canada pipe lines" it would be just as all-embracing as "trans-Canada", when they are building a pipe line across Canada through the various provinces.



The CHAIRMAN: It involves a change of name for the company. Would you care to remark on that Mr. Tolmie?

Mr. TOLMIE: With respect to the name "trans-Canada" I may say that we checked with the companies branch and they had no objection to the name. We reserved it with them. It is true that the companies branch will now allow a company to be incorporated with the name "dominion", "federal" or "Canada" to denote national ownership. There is Trans-Canada Air Lines and what is commonly referred to as the Trans-Canada highway. There are, however, other trans-Canada operations. I believe that the Canadian Pacific Railway had a train called the "Trans-Canada" and there are highway operations. The name has not been arrogated to any dominion or federal use as such.

The CHAIRMAN: Shall clause 1 carry?

Carried.

Clause 2.

Carried.

Clause 3.

3. The capital stock of the Company shall consist of five million shares of the par value of one dollar per share.

Mr. GREEN: On clause 3 may I ask a question. Apparently the applicants are only making provision for sufficient capital to get the company set up and not to actually do the construction. When they come to construct the pipe line will they then have to come back to parliament for an increase in capital?

Mr. TOLMIE: Yes, Mr. Chairman, that is contemplated. We would have to seek, like any other company incorporated by parliament, authorization for an increase in capitalization. However, there is no point in shooting at a very large figure now because of the incorporation fees. When we know the exact amount we would want to fix on that. Then, there is also the transfer tax on the transfer of stock and we do not want to have too large a par value at this stage. If recapitalization were required we would have to come to parliament and have the exact amount settled then.

Mr. McIVOR: Are these shares offered for sale in Canada only?

The CHAIRMAN: No, and I think that is covered in yesterday's evidence. Shall clause 3 carry?

Carried.

Clause 4.

Carried.

Clause 5.

Carried.

Clause 6.

6. The Company, subject to the provisions of any general legislation which is enacted by Parliament relating to pipe lines for the transmission and transportation of gas or oil or any liquid or gaseous products or by-products thereof, may

- (a) within or outside Canada construct, purchase, lease, or otherwise acquire and hold, develop, operate, maintain, control, lease, mortgage, create liens upon, sell, convey or otherwise dispose of and turn to account any and all interprovincial and/or international pipe lines and all appurtenances relative thereto for gathering, processing, refining, treating, transmitting, transporting, storing, and delivering natural and artificial gas and other gaseous or liquid hydrocarbons,

and purchase, or otherwise acquire, process, refine, treat, transmit, transport, and sell or otherwise dispose of and distribute natural and artificial gas and other gaseous or liquid hydrocarbons, and own, lease, sell, operate, and maintain aircraft and aerodromes for the purpose of its undertaking, together with the facilities required for the operation of such aircraft and aerodromes; and own, lease, operate and maintain interstation telephone, teletype and telegraph communication systems and subject to *The Radio Act, 1938*, and any other statute relating to radio, own, lease, operate and maintain interstation communication facilities;

- (b) purchase, own, lease or otherwise acquire and develop and turn to account and sell, deal in and dispose of real and personal property of whatsoever nature used or capable of being used in connection with its undertaking; and
- (c) exercise as ancillary and incidental to the purposes or objects set forth in this Act, the powers following, unless such powers or any of them are expressly excluded by this Act, namely, the powers set forth in paragraphs (a) to (bb) inclusive of subsection one of section fourteen of *The Companies Act, 1934*.

Mr. THOMAS: Possibly I should have asked this question in the general discussion before the bill came in, but I see by this gathering map that almost half the gas is to be obtained from the Pincher Creek field. I wonder if Mr. Schultz could tell us the comparative cost of drilling or producing in the Pincher Creek area as compared with other sections of the gathering system?

Mr. SCHULTZ: The study we have made at Pincher Creek indicates that the wells will cost approximately \$750,000 each. It is our thinking that to fully develop the field will take approximately 21 wells. The drilling cost out on the prairies is considerably less. I would say that for a completed well there our average cost to date is approximately \$50,000. The only difference is that the fields in the prairies are figured to contain as much as 30 billion feet of gas for an entire field. In the Pincher Creek area the best engineering shows a trillion and a half feet of gas to be produced. So, although the wells are more expensive at Pincher Creek the amount of gas to be recovered from the wells makes the over-all cost probably less in the long run than for drilling on the prairie fields.

Mr. THOMAS: That is what I wanted to know. I was under the impression that wells had to be almost twice as deep in the Pincher Creek area.

Mr. SCHULTZ: Yes, 12,500 feet.

Mr. THOMAS: Production would offset the cost of drilling?

Mr. SCHULTZ: Exactly.

The CHAIRMAN: Shall clause 6 carry?

Mr. MOTT: With reference to paragraph (a) I see it says "within or outside Canada". Is it the intention for this company to run gas outside of Canada? You can branch off anywhere on this trans-Canada line, go down into the States over various routes. You could even turn around in this case and run out to the coast. Is not that a very wide clause—"within or outside of Canada?"

That was the very cause of all the argument last year in this committee. Now we have what is supposed to be an all-Canada line but you have here "—outside Canada".

The CHAIRMAN: Would you answer, Mr. Tolmie?

Mr. TOLMIE: That is probably an abundance of caution of the legal draftsmen, for which we must take full responsibility.



It is quite usual, and in order, to provide that any company incorporated in Canada has power to carry on its activities within or without Canada. That is in accordance with the precedents and the standard form which we adopted, largely because we do not want to have it ever raised that we have not the power to carry on any activity outside Canada.

As you will notice the special powers include a lot of ancillary powers, some of which may have to be carried on outside the country. For instance, in connection with the sulphur problem, it may be that the marketing of sulphur or the treating of it cannot be undertaken in Canada economically, and the company would have to set up some branch or some plant outside of Canada.

Likewise, with any of the ancillary powers referred to in paragraph (c) in connection with the pipe line, they would want to have the power legally to carry on business outside the country. It is really to get around any suggestion that the doctrine of ultra vires would be used against this company.

Now, on the broad question of whether or not with this charter the company may turn around and apply for the right to build a line outside of Canada, or to go out to the west coast through the states of Idaho or Washington, all I can say is that the Board of Transport Commissioners are the ones who will decide on the route. As you have heard the whole preparation and conception of this is an all-Canadian route east, and that is where the study has been made; that is the way the application has been prepared, both for the Transport Board and for Alberta. It would be very difficult to change or about face and use this charter for a line designed to go somewhere else.

Mr. CANNON: It is not the intention?

Mr. TOLMIE: It is certainly not the intention and the whole preparation and the work that has been done is completely propounded upon this all-Canadian route or eastern route where the market has been surveyed with great expense and a great deal of particularity with respect to the small towns and communities.

Mr. MOTT: In so far as this act is concerned, and in so far as we are concerned in passing it, this line can be outside of Canada or branch off anywhere under that clause. That is what caused the whole discussion last year and here is the same thing.

They can go to Winnipeg, and then get permission from the Board of Transport Commissioners to run down to Duluth or somewhere else. We were given to understand that this was an all-Canadian route, and then in the first paragraph of this clause you have "within or outside Canada".

It is all right with me, but it is the same thing over again. We hear all about Canadian routes and then, in this clause, we say that you can take them anywhere.

The CHAIRMAN: I think Mr. Mott has brought up a very good point and it is one on which the committee should be reassured. In the committee and in the House last year, rightly or wrongly, opposition developed on that very point. I think the committee should assure the House on the point, and also that the committee should be assured that this is an all-Canadian plan or project as we have been led to believe that it is.

Now, if Mr. Tolmie or any of his people here can give us that assurance I think the committee would like to have it.

Mr. MURRAY: Would it not be possible to just strike out the second and third words in subclause (a)?

The CHAIRMAN: I beg your pardon?

Mr. MURRAY: Could we not delete the words "or outside"?

Mr. TOLMIE: If I may suggest it, that is the very thing, out of an abundance of caution as a lawyer, that you should not recommend. You state specifically that this company can only do business in Canada. The powers of the company to hold property and to negotiate any kind of contract would be specifically stated to be within Canada and that would be contrary to the normal method of incorporation of a company to carry on business anywhere in the world. The alternative would be to drop all of the phrase "within or outside Canada". Then the inference would be the same as that for any other company, that it has the power to carry on business anywhere in the world.

Mr. MURRAY: There has been very strong feeling in areas right across Canada with respect to whether these operations would be within Canada. I think you could change the wording of it so as to give the company full right to proceed with business activities outside of Canada.

The CHAIRMAN: Yes, disposing of by-products and that sort of thing in the United States.

Mr. MURRAY: It seems to me that the understanding is that the line is to run across Canada.

Mr. SHAW: When this company applies to the Alberta government for an export permit, which they will do I understand before they start construction, they are going to have to specify, are they not, and to specify very definitely, where they are going to export the gas? Is that right or wrong?

The WITNESS: If we go before the Alberta Board we will have to specify specifically the route we intend to follow. We assume that we will obtain an export permit based upon an all-Canadian route. I do not see how we can possibly get an export permit for 365 million feet of gas for the eastern market and then turn around and build to the south or west. Our entire thinking has been an all-Canadian route from the beginning and I think an export permit would have no basis if we obtained it with the understanding the gas was going east and then try to do something else with it.

Mr. MOTT: Why not cut out that "outside Canada", for the transport of gas and oil? It is easy enough to say that it is an all-Canadian route now, but you may go to the Alberta board later on and say that you are trying to put gas out to the Pacific coast or, all of a sudden, say that you have found a route down to Duluth or somewhere else in the United States. Then you would say: "Well, our line is in, why can't we transfer it down there". If you did that you would not then get a permit to transfer gas to the Pacific coast.

The whole argument hinged on that last year in both the House and the committee. If this is going to be inside Canada why not cut out "outside Canada"—except for by-products where you could say "outside Canada".

Mr. THOMAS: I might suggest that this discussion should have been carried on when the master pipe line bill was in the House in 1949.

The CHAIRMAN: Well, we have to deal with this particular bill.

Mr. GILLIS: The matter was raised in 1949.

Mr. HERRIDGE: Following up the statement made by Mr. Murray, possibly this act could be changed to provide for the piping of gas within Canada but to provide for other activities of the company outside Canada. Mr. Murray has mentioned, as Mr. Mott has, the strong feeling in Canada that we want these natural resources to serve Canadian requirements. I would like to ask if this section cannot stand and consideration be given to amending it so that it is clear there is authority to build a pipe line in Canada and to conduct the other business outside of Canada. That should be confirmed by these gentlemen and the Canadian people assured.



Mr. STUART: There has been a lot of discussion about gas and oil for Canadians and we have heard these arguments before. I am not saying that the members are not sincere but it would appear to me that if the gas or oil goes to British Columbia the members there would not worry too much about where else it went.

Mr. MOTT: No, it is just the opposite.

Mr. STUART: No, I am of the impression that they say: "If we get what gas we want in British Columbia, and we want to be on the line, if there is any surplus then send it to the United States or anywhere else you wish".

I might suggest a plan for putting a smaller pipe line into British Columbia, enough to service their needs, and then there would be none for the United States and they could send some down to the maritime provinces.

Mr. HERRIDGE: That is what we are fighting for.

Mr. STUART: Well, if we are, let us be consistent. If it is an all-Canadian proposition let it be for Canada. You people, though, seem to say that you want enough for British Columbia but you will let the rest of us, down in the maritimes for instance, fend for ourselves. Your argument is: give us all we want in British Columbia, and what is left you can ship over the border or anywhere else. As long as you get what you want you are satisfied.

Mr. NOSEWORTHY: Is there any provision in this Act whereby this company, if they found it economical and more profitable, could not build this line from the head of the lakes down into United States territory? Is there anything in the bill that they cannot in fact do that if they can persuade the Board of Transport Commissioners to give them a permit? Is there anything in the bill to that effect?

Mr. TOLMIE: All I can say in answer to that is that this bill is to incorporate a company to build pipe lines in accordance with the Pipe Lines Act and the Pipe Lines Act requires this company, or any company when incorporated, to apply to the Board of Transport Commissioners to get authorization for the route.

I would suggest, sir, that it is inconceivable that a company that has gone to the lengths this company has, both in telling parliament and in telling the public, and in spending money in the investigations it has made of markets across the country and on engaging engineers to survey routes, would with a straight face go to the Transport Board and say: "Notwithstanding all we have said we now want to apply for a route different from that which we said we were going to apply for". Even if they did that the Transport Board, I think, would refuse the application because the company would have showed bad faith.

This bill to incorporate the company is giving it all the powers considered necessary for it including the carrying on of activities outside the country if necessary. Included is, incidentally, the power to borrow money and to issue their stock. As we heard yesterday or the day before, a large part of this money will have to be borrowed from American insurance companies through American underwriters. I would suggest, with respect, that if amendment is desired, the words "within or outside Canada" should be dropped so that there is no specific statement that this company is incorporated only to do business in Canada. Give it the powers of a natural person to do business as a company, so when it comes to carry on business outside of the country someone will not raise the question of the company having no powers to do this or that. They would say it is limited to carrying on business in Canada, and that is very different from any other dominion incorporated companies which have been incorporated under the Companies Act.

Mr. GREEN: Mr. Chairman, if you will remember when this pipe line question first came up in the House, and during the discussion that has taken place since,

some of us suggested that there should be written into each charter the route that was to be followed just as has been done in the case of a railway. We were not able to convince the government that should be the method followed. The government took the position that this Act was to be for a general charter. Then, we were put back in the position where all we could do was deal with the statement of the applicants as to where they intended to build the line. It was on that basis that last year we opposed the charters of the companies which were proposing to build through the United States. Certainly it would have been much better if in each charter there could have been written the route where the line would go. However, we have never been able to have that suggestion accepted.

Here, in this case, we have a company which is committed up to the hilt so far as representations are concerned and so far as preparations are concerned, to build an all-Canadian gas pipe line right from the west to the east—something which I personally did not dare argue last because I did not think it was feasible. I thought I would have been laughed at if I had argued that and I certainly would have been. However, I am all in favour of a plan of this type.

However, these people have come in and are prepared to go ahead and risk development of this kind, which somebody said yesterday may be as important to Canada as the construction of the Canadian Pacific Railway line. I think it has helped to change the thinking of a great many Canadians on this question of using Canadian products for Canadians first.

To just simply take this Act and change it when other companies' acts were allowed to go through on the other basis, the basis adopted by the government, is hardly fair. Last year some of us moved an amendment to put in words into what would be section 6. I forget how we worded it because I have not got my file this morning but it provided they would have to build their pipe lines through Canada or had to serve Canada first. We did have an amendment of that type moved which was voted down. We moved it on both the bills but it was voted down both times. Perhaps something of that kind may be written into this section 6. I do not know whether it could be or not.

Mr. RILEY: Where was that?

Mr. GREEN: It is in the middle of paragraph (a) of what is section 6 of this bill and I think it said something about serving Canada first, something about the main transmission line being in Canada. The records will show just what the terminology was. I think these people certainly are proposing to do something which would be very much to the interest of Canada and I believe they are genuine in their proposal. If it turns out they are deceiving us they will certainly get a rough ride in several different directions. I do not think they would be able to build their pipe line at all if they are putting over a deception in this committee, but I think the way they have given evidence is enough to convince anyone they are straightforward about their proposal.

Mr. McCULLOCH: If they serve Canada first they should have the right to sell their surplus anywhere else they can.

Mr. MURRAY: The word "deception" should not be used in this committee.

Mr. SHAW: I would say in the sense it was used it was perfectly all right. He did not accuse anyone of deceptive action.

Mr. MURRAY: We are not dealing with matters of opinion, we are dealing with a great national issue here and when these other pipe line bills were before us we were dealing with a little factor known as the Rocky mountains. We have no Rocky mountains to surmount in this case, we have open prairie and open territory all the way to Montreal and we can very nicely build a pipe line to Montreal and follow the lines of nature.



The CHAIRMAN: I do not think that is the question exactly. The question is that the House generally assumes that this is to be an all-Canadian pipe line and it met with a very good reception in the House in the various speeches that were made, and I heard them all. The only thing that we want as a committee is to be able to go back to the House and recommend the bill on that understanding. If the company could work out something through their solicitors to satisfy that angle I think it should be done.

Mr. NOSEWORTHY: Mr. Chairman, there is this difference. The other companies last year had no intention of building an all-Canadian pipe line. These people point out they have every intention of building an all-Canadian pipe line and if that is their obvious intention why do they not give us assurance by writing that into the bill that the gas will come to Montreal by an all-Canadian route.

Mr. MOTT: As far as I am concerned I am not one of those who feel that I want to be narrow-minded on this at all. It is set out to be an all-Canadian pipe line but I think if this line is going to Montreal and if there is some rearrangement along the line which will take gas to the consumer cheaper, I would be all for it. On the bill that we had before us last year, in order to lay a line to Vancouver, British Columbia, they had to duck down around the mountains to save something like ten millions of dollars to get to the coast, but I was for it. We have been given the impression that this is to be an all-Canadian pipe line and that is what we think it is, it is a Trans-Canada line; and you should be able to take off taps anywhere along that line for a large city or a large industry or even for an atom bomb industry which consumes a lot of gas located across the border somewhere, if this would be the closest line to take off the gas. As far as I am concerned I think they should give all latitude to help the other side, which will, in turn, help us. We are given to understand that this pipe line is to be laid within Canada and as far as I am concerned if they want to take it down that way I do not mind as long as we can get the gas as cheaply as we can.

Mr. GILLIS: I just want to say this. The wording there is unfortunate. I was quite impressed with the witnesses, and apart from the effect it might have on our maritime coal industry I am in favour of this project. I objected to all those other bills from the start but not because of the route they were following. My main objection, I might say to Mr. Thomas, to all those pipe line bills was based on the fact that we were handing over for all time our resources to American capital, and that if risk capital could not be found in Canada then I thought the Canadian government should develop these pipe lines; it certainly could have raised the capital. I am convinced of the sincerity of the people making this proposal. At least we have one thing that we did not get from any of the other pipe lines, we have a map here which shows us that the route is going to be straight across Canada from Calgary to Quebec City. If we go back to the House with that bill as it is worded now, we are going to raise all the discussion that we have had on those other pipe lines, and it will be picked on and hung up week after week. If some way could be found to change that wording I think it would avoid a lot of friction. Now, we may check all these statements the witnesses have made, but we have had on a good many occasions cabinet ministers who came before us on a bill and assured us they were absolutely certain on a point and then months after that they would argue in the House and say that this law is not being applied in accordance with what the minister said and the reply is that what the minister said does not matter, it is what the bill says. There is not a thing to stop this company from going down from Calgary and shooting in any direction they like. There is nothing in the bill to say that this pipe line is going to be built on an all-

Canadian route to Montreal. If we had something in there that would give us that assurance or remove the ambiguous language that is there now, I think it would save the company a lot of trouble.

The CHAIRMAN: Mr. Tolmie has just said he is quite willing under the circumstances to take out the first four words of clause (a) in section 6 "within or outside Canada".

Mr. NOSEWORTHY: That would not make an iota of difference as far as this bill goes; the omission of those words does not make one iota of difference.

Mr. CANNON: Mr. Chairman, I think that the committee ought to be satisfied with the assurances, the clear assurances that are being given by the promoters of this bill that an all-Canadian route will be followed. Last year I remember we were not able to pin anybody down. We would be told that the route would be where the board said it would have to be, and the promoters of the bill would not take a definite stand or undertaking that it would be an all-Canadian route. Here we have evidence to that effect, it is on the record, we have a map, we have the notes taken in shorthand and we will have the printed report of the committee. The statements that have been made here will be on record and I think that we have ample safeguards with these statements and with the fact that all plans have been made for it to be an all-Canadian line, and also we have safeguards in the fact that the permits will have to be obtained from the Alberta Conservation Board. I think we have ample safeguards that it will be an entirely Canadian route and under these circumstances we should accept the assurances of the people behind this bill that it will be such. I know, as a lawyer, it would not be advisable to put in clause 6, simply the words "within Canada" as we would be so restricting the activities of the company that it would make the charter absolutely useless.

Mr. HARKNESS: I am quite satisfied myself as to the intentions of the company, but I am wondering if they would be willing to write into the bill to meet the wishes of the committee, a clause some place containing simply a phrase along this line: that the main transmission route will go from Alberta to Toronto and Montreal along the general line of the Canadian Pacific Railway.

Mr. TOLMIE: I am afraid, Mr. Chairman. This is a form of bill which has been worked out by the law officers of the crown. It is standard form with regard to the creation of a company to carry on a pipe line business, build a pipe line, maintain it and carry on ancillary business to it. Now, the big objection to specifying that this company is only incorporated to do a certain thing in a certain area is that you have immediately restricted the powers of that company to the point that we may not be able to finance it. The words "within Canada" would block our efforts. The suggestion we take out the words "within or outside Canada" contracts our whole program; at least, though it does not point up that it is limited within Canada, it still leaves the company incorporated to do business anywhere in the world. We must have that power, otherwise we cannot raise the money to finance the project. The British-American Pipe Line Company incorporated in 1949 to build a pipe line between Montreal and Toronto had the same words exactly "inside or outside of Canada". They have to sell or purchase oil outside of the country, and they were given the powers of a natural person to do that. I cannot imagine what we would have to do outside of Canada later on but we certainly must borrow money outside of Canada and for that reason if there is a disposition to amend we should not point up that it is only limited within Canada by taking the words out "within or outside Canada". Furthermore, we would have to check with the law clerks of the two Houses, the Department of Justice and I think the Counsel for the Department of Transport who have settled on a form of bill. We thought we were strictly within it, but if these words are taken out then it is just as it is, it has powers to do certain things.



Mr. HARKNESS: I think Mr. Tolmie has misunderstood my meaning. I do not suggest that these words "inside or outside Canada" or "interprovincial pipe lines" should be taken out at all. I suggest there should be added the words that the main transmission line will run from Alberta to Toronto and Montreal in Canadian territory; in other words there will be nothing taken out which will restrict your powers in any way but there would be an assurance contained in the bill that the main transmission line would run across Canada.

Mr. APPLEWHAITE: I do not know these people from Adam. They have apparently satisfied the majority of this committee that they are not only sincere but they are going to operate along the lines that the majority of this committee wish, undertakings which the sponsors of a great many other pipe line bills which we have passed did not give to satisfy the committee along those lines. Under those circumstances it would be unfair to place restrictive provisions in this bill which did not appear in other bills which have already been passed by this parliament, and I do not want to be a party to make fish out of one and flesh out of another. I do not think it would be fair under any circumstances to issue two similar bills, one restrictive and one not, and I think it would be particularly unfair to do so in the bill before this committee, as we seem to be satisfied with the bona fides of the sponsors.

The CHAIRMAN: You must not overlook the fact that there are other bills coming to this committee, Mr. Applewhaite, and if you take that broad viewpoint on this bill, to be consistent you will have to consider the other bills in the same light.

Mr. HODGSON: This bill is called the Trans-Canada Pipe Line Bill. There should be something in that bill to say that this line is going to be in Canada. Because we have been fooled before is no reason why we should be fooled again. Two wrongs do not make a right. There should be some clause in that bill guaranteeing that this pipe line will be built in Canada.

Mr. NOSEWORTHY: This company obviously intends to build this pipe line between Alberta and Montreal through Canada. They have given us that assurance. All we ask is that there should be something written in the bill to that effect, but which will not limit them to carrying on a business anywhere in the world. We should insist that the main transmission line from Alberta to Montreal should go through Canadian territory. I might say that we have never been given that assurance by any of the gentlemen who have come before us previously, and since these people give us that assurance in committee here we just cannot see their objections to having that declared in the bill, that as far as the main pipe line is concerned it is to be laid from Alberta to Montreal through Canadian territory.

Mr. McIVOR: I am not a lawyer, but sometimes I have some practical sense. This is the first time that we have had a pipe line of any description that is all Canadian and I thought that there would not be any doubt about it in committee because the pamphlet we received stated the different places, towns and cities that were to be served by this pipe line. I am concerned because I do not want anything to stop this pipe line bill going through because I think it is fair. The company has shown itself to have initiative. When somebody in Alberta announced there was not enough gas to keep this pipe line going the company found seven other sources of gas. I think this shows initiative that should get encouragement.

Mr. RILEY: In line with the suggestions that have been offered to date I am wondering just what reaction is in the minds of the intended incorporators in respect to this assurance going into the bill that the main transmission line be carried in its entirety across Canadian territory. If they are prepared to give us that assurance, then, what objection would they have to a clause being inserted in the bill which would require that the main transmission line go across Canadian soil in its entirety? They may have had a reason for giving

that assurance; then if they had such a reason, surely they would have no objection to the clause being inserted in the bill. I do not doubt but that at some time in the future it may be necessary to bring gas to this transmission line from some section of the United States and as the country develops to tap gas off that transmission line to flow into the United States, but in the light of their assurances what objection would they have now to having a clause inserted in the bill?

The CHAIRMAN: I think we ought to have a reply to that and have it cleared up.

Mr. TOLMIE: Mr. Chairman, there is no objection whatsoever and I thought that was made clear. We are dealing with a standard form of pipe line act and to suggest that we make this or that change without regard to what it does to other provisions and powers of this company is going to take some careful consideration and I would not like, for instance, to state that the main transmission line shall follow the Canadian Pacific Railway or the Canadian National Railways main line or to restrict the company's powers to do business outside the country in any ancillary way; and more than that I would suggest that since the law officers of practically all bodies of the government concerned with this have pretty well settled on the bill I should consult with them if we are going to make any change in the standard form. We might do it hastily and so make this particular company a rather special case corporately.

Mr. RILEY: I am very much disappointed in the way Mr. Tolmie answered this question. I want to give him to understand that I have no objection to this bill at all other than the fact that a suggestion was made that in order to confirm the verbal assurance, a section be put in the bill to confirm that assurance. In answer to that Mr. Tolmie comes back with this matter of doing business inside and outside of Canada. I have no objection to amending that section in any way. Add a section to the bill which will not destroy any part of the bill but will give assurance to the Canadian people in the light of the assurances already made verbally by the incorporators that the transmission line will be carried across Canada. I would like to get that specific question answered.

Mr. GREEN: I think I have an answer here. This is the amendment which was moved last year:

That paragraph (a) of Section 6 of the Bill be amended by inserting after the word 'hydrocarbons' in the twenty-eighth line the following: 'provided that the main pipe line or lines, either for the transmission and transportation of oil or gas shall be located entirely within Canada.'

The CHAIRMAN: What bill was that on?

Mr. GREEN: The Alberta Natural Gas Company. It just so happens, Mr. Chairman, that the same word is in the same line in this bill. The additional words will be "provided that the main pipe line or lines, either for the transmission and transportation of oil or gas shall be located entirely within Canada." Now, I think that that meets Mr. Riley's suggestion and it would not conflict with the company's power to do business outside of Canada and it would make absolutely certain that the main line must be built within Canada. I think perhaps the word "gas" should go ahead of "oil" because this is a gas company. I realize if the sponsors of the bill would like to discuss this not only among themselves but perhaps with the departmental officials they should be given time to do so. If they would approve of an amendment of that type I suggest it would meet all our objections and would be settling a very fine question for some of these other lines.

Mr. MOTT: I raised this question because last year each one of the gas and oil lines was going to go through the United States and then up to Canada, but



in this particular case we are given to believe that there is none of this gas to be exported to the United States, it is a separate Trans-Canada line running to Toronto, Ontario, and through to Montreal over all-Canadian territory. I did not raise that objection because this company is to carry on business within Canada, but the others were in Canada but were going through the United States.

The CHAIRMAN: I believe this point that has been raised is extremely important, and I believe that we have had a good discussion which probably will lead into something definite being done to satisfy the members of the committee. I would suggest we adjourn at this point to allow the company and the legal officers who are handling their case, to clarify this point and try to satisfy us, when they come back. I think today, we could meet at 4.00 o'clock to give us an opportunity to carry on this discussion. They have to check with the law officers and I think that would be reasonable.

Mr. GREEN: We are in a particularly bad spot today. At 4.00 o'clock we will be dealing with a bill in the House.

The CHAIRMAN: We have given away to that viewpoint for three sittings. Mr. Tolmie has said they can do it by this afternoon. I might say that I have a busy day myself in front of me.

We will adjourn until 4.00 o'clock.

The committee adjourned.

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#### AFTERNOON SESSION

The committee resumed at 4:00 p.m.

The CHAIRMAN: Before adjournment we were discussing clause 6.

Mr. SHAW: On a question of privilege: before you get into something else, this morning I made a statement that I think was not true and I am one who likes to admit the need of making a correction. I suggested that the gas pipe line from Turner Valley to Calgary was a common carrier. I am advised now that that line is owned by the distributor but that the distributor is a common purchaser. It is the oil pipe line that is a common carrier. I would like to have that correction made.

The CHAIRMAN: Thank you very much, Mr. Shaw. The committee appreciates it and the correction will be made.

Mr. SHAW: I was speaking only from memory this morning. Common purchaser is the term.

The CHAIRMAN: Getting back to clause 6, and particularly subclause (a), Mr. Tolmie and Mr. Schultz have had an opportunity of discussing this matter. Have you any suggestions to meet the desire of the committee in way of an amendment?

Mr. TOLMIE: Mr. Chairman, concerning the amendment which Mr. Green proposed this morning, I took the liberty of checking that with the law clerks of the Senate, the House of Commons, and the Department of Transport and they see no technical or legal difficulty with such a wording under the Pipe Lines Act and as far as we are concerned it does not handicap this company in the ancillary powers or the general powers of the company which was the main point that we were worried about and we would have no objection whatsoever to that amendment.

The CHAIRMAN: Have we the wording of the amendment?

The CLERK: That paragraph (a) of section 6 of this bill be amended by inserting after the word "hydrocarbons" in the twenty-eighth line the following: "provided that the main pipe line or lines, either for the transmission or transportation of gas or oil shall be located entirely within Canada."

Mr. GREEN: I so move.

Mr. HERRIDGE: I second that, Mr. Chairman.

The CHAIRMAN: I think you meant line twenty-four, did you not, Mr. Green? Hydrocarbons is in line twenty-four of the present bill.

Mr. LAFONTAINE: You have the word "hydrocarbons" in line twenty-eight too.

Mr. TOLMIE: Yes, it occurs in two places.

The CHAIRMAN: Is that where it comes in, in line twenty-eight? After the word "hydrocarbons" in the twenty-eighth line the following words are to be added: "provided that the main pipe line or lines, either for the transmission or transportation of gas or oil shall be located entirely within Canada."

Mr. LAFONTAINE: Why should it not be only gas pipe lines?

Mr. TOLMIE: In this case it is only gas.

The CHAIRMAN: There would be no objection to leaving both gas and oil in.

Mr. TOLMIE: No, it does not matter.

The CHAIRMAN: Does any member of the committee have an objection? Shall the amendment carry?

Carried.

Clause 6, subclause (b)?

Carried.

Clause 6, subclause (c)?

Carried.

Clause 7?

Carried.

Clause 8?

Carried.

Clause 9(1)?

9. (1) The Company shall not make any loan to any of its shareholders or directors or give whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of, or in connection with a purchase made or to be made by any person of any shares in the Company: Provided that nothing in this section shall be taken to prohibit:

- (a) the making by the Company of loans to persons, other than directors, bona fide in the employment of the Company with a view to enabling or assisting those persons to purchase or erect dwelling-houses for their own occupation; and the Company may take, from such employees, mortgages or other securities for the repayment of such loans;
- (b) the provision by the Company, in accordance with any scheme for the time being in force, of money for the purchase by trustees of fully paid shares in the capital stock of the Company, to be held by, or for the benefit of employees of the Company, including any director holding a salaried employment or office in the Company; or
- (c) the making by the Company of loans to persons, other than directors, bona fide in the employment of the Company, with a view to enabling those persons to purchase fully paid shares in the capital stock of the Company, to be held by themselves by way of beneficial ownership.



(2) The powers under paragraphs (b) and (c) of subsection one of this section shall be exercised by by-law only.

(3) If any loan is made by the Company in violation of the foregoing provisions, all directors and officers of the Company making the same or assenting thereto, shall, until repayment of said loan, be jointly and severally liable to the Company and to its creditors for the debts of the Company then existing or thereafter contracted: Provided that such liability shall be limited to the amount of said loan with interest.

Mr. HERRIDGE: Would the witness just explain the full meaning of that section?

Mr. TOLMIE: Clause 9, Mr. Chairman, is the usual provision to prevent the company making loans to shareholders or directors or officers that might dissipate the funds of the company.

The CHAIRMAN: Shall the clause carry?

Carried.

Clause 9 (a)?

Carried.

Clause 9 (b)?

Carried.

Clause 9 (c)?

Carried.

Clause 9 (2)?

Carried.

Clause 9 (3)?

Carried.

Clause 10?

Carried.

Clause 10 (a)?

Carried.

Clause 10 (b)?

Carried.

10. The redemption or purchase for cancellation of any fully paid preferred shares created by by-law pursuant to the provisions of this Act, in accordance with any right of redemption or purchase for cancellation reserved in favour of the Company in the provisions attaching to such preferred shares, or the redemption or purchase for cancellation of any fully paid shares of any class, not being common or ordinary shares, and in respect of which the by-laws provide for such right of redemption or purchase, in accordance with the provisions of such by-laws, shall not be deemed to be a reduction of the paid-up capital of the Company, if such redemption or purchase for cancellation is made out of the proceeds of an issue of shares made for the purpose of such redemption or purchase for cancellation, or if,

(a) no cumulative dividends, on the preferred shares or shares of the class in respect of which such right of redemption or purchase exists and which are so redeemed or purchased for cancellation, are in arrears; and

(b) if such redemption or purchase for cancellation of such fully paid shares is made without impairment of the Company's capital by pay-

ments out of the ascertained net profits of the Company which have been set aside by the directors for the purposes of such redemption or of such purchase for cancellation, and if such net profits are then available for such application as liquid assets of the Company, as shown by the last balance sheet of the Company; certified by the Company's auditors, and being made up to a date not more than ninety days prior to such redemption or purchase for cancellation, and after giving effect to such redemption or purchase for cancellation;

and subject as aforesaid, any such shares may be redeemed or purchased for cancellation by the Company on such terms and in such manner as is set forth in the provisions attaching to such shares, and the surplus resulting from such redemption or purchase for cancellation shall be designated as a capital surplus, which shall not be reduced or distributed by the Company except as provided by a subsequent Act of the Parliament of Canada.

Mr. HERRIDGE: Would the witness mind explaining subclause (b) to a person who is not versed in legal terminology?

Mr. TOLMIE: That, Mr. Chairman, is to take care of the redemption of any redeemable preferred shares that might be issued if made out of cumulative profits of the company. It will not be deemed to be a reduction of the authorized capital of the company, if the redemption for cancellation of the fully paid shares is made without impairment to the capital; having been paid out of the net profits, that would be permitted, and it is permitted under the Dominion Companies Act.

The CHAIRMAN: Shall the clause carry?

Carried.

Clause 11?

Carried.

Shall the preamble carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill as amended?

Carried.

There is nothing before the chair, gentlemen.

Mr. LAFONTAINE: I move we adjourn.

The committee adjourned.











